

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON 29 MAY 2018**



**PRESENT**

Mr. Greg Connor (Chair), Ms Emma Hinchey, Ms Natalie Johnston and Councillor Telfer

**In Attendance**

Mr. Adrian Skull	Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms Abby Dickson	General Manager City Development
Mr. Tony Lines	General Manager City Services
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance and Contracts
Ms Deborah Horton	Governance Quality Coordinator (Item 7.1, 7.2, 7.3)
Ms Liz Byrne	Manager, Community Connections (Item 7.3)
Ms Cassandra Gannon	Performance & Innovation Leader (Item 7.4, 7.5, F01)
Ms Penny Woods	Deloitte Touch Tohmatsu (Item 7.6)
Ms Iantha Sequeira	Deloitte Touch Tohmatsu (Item 7.6)
Mr Jared Lawrence	KPMG (Item 7.1, 7.2, 7.3)
Mr Ben Wallace	KPMG (Item 7.1, 7.2, 7.3)

**1. OPEN MEETING**

The meeting commenced at 9.30 am. The Chair welcomed all those present to the meeting.

**2. KAURNA ACKNOWLEDGEMENT**

We begin by acknowledging the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

**3. MEMBERS DECLARATION OF INTEREST**

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

Ms Emma Hinchey declared a perceived conflict of interest regarding the NDIS Internal Audit Report. She is the CEO of Community Support Incorporated who are a Registered NDIS Service Provider and is currently providing support to people in the City of Marion and across the State. She is also a member of the National Disability Services State Committee.

Mr Greg Connor declared a perceived conflict of interest as he is the Deputy Chair of Bedford Industry. Bedford Industries are also a Registered NDIS Service Provider in supported employment space.

The Manager Corporate Governance confirmed that members may remain in the room for a perceived conflict of interest and the minutes will reflect how each member voted on the item.

**4. CONFIRMATION OF MINUTES**

**9.32 am Confirmation of the Minutes for the Finance and Audit Committee Meeting  
held 27 February 2018**

**Moved Councillor Telfer, Seconded Ms Hinchey** that the minutes of the Finance and Audit Committee (the Committee) meeting held on 27 February 2018 are confirmed as a true and correct record of proceedings.

**Carried Unanimously**

## **5. BUSINESS ARISING**

### **9.34 Review of the Business Arising from previous meetings of the Finance and Audit Committee**

**Report Reference: FAC290518R5.1**

The Committee noted the Business Arising statement and the progress of actions. The Committee requested that the date for the 21 August 2018 meeting be amended in accordance with the previous decision of the Committee.

**ACTION – Amend the FAC meeting of 14 August 2018 to 21 August 2018.**

## **6. ELECTED MEMBER REPORT**

### **9.35am Elected Members' Report**

**Report Reference: FAC290518R6.1**

The Committee noted the report. Councillor Telfer raised two items of interest:

1. BMX Project – Council has resolved to investigate a new site at Darlington (located near Hungry Jacks). The currently project for O'Halloran Hill is on hold whilst the new site is being investigated.
2. A fixed loan from 1966 (South West Drainage project) has been finalised, with the final repayment being made in May. The loan was a 53 year term loan that was imposed by the State Government of the day. This debt has now be removed from the financial statements. The Committee recognised the vast difference in financial management today versus 50 years ago.

The Committee noted that the Council has recently adopted a revised Whistleblower Policy and the Procedure for Code of Conduct Complaints for Elected Members. The Committee requested that these documents be tabled at the next meeting as they sit within the Committees Terms of Reference.

**ACTION – that the Whistleblower Policy and the Procedure for Code of Conduct Complaints for Elected Members be tabled at the next meeting.**

## **7. REPORTS**

The Chair sought leave of the meeting to vary the order of the agenda and bring forward the draft Audit Engagement letter (item 7.6). Leave of the meeting was granted.

### **9.38am Deloitte Audit Engagement for the Year Ending 30 June 2018** **Report Reference: FAC290518R7.6**

Ms Penny Wood and Ms Iantha Sequeira from Deloitte Touch Tohmatsu entered the meeting.

Ms Woods introduced Ms Sequeira to the Committee. She has recently joined Deloitte's in Adelaide from the Sydney office after Jason Liu departed. Ms Sequeira will be a key part of the audit team for the City of Marion.

Ms Woods highlighted that the engagement letter on page 112 of the agenda outlines the audit scope for the 2017/18 financial year. The audit will focus on revenue, expenditure, non-current assets and internal control assessment.

In accordance with the accounting standards, the internal control assessment will review fixed assets and test the operational effectiveness of these controls.

The Committee queried the recent changes in the accounting standards and if this audit requires preparation for their commencement?

Ms Woods confirmed that there are changes to three accounting standards and two of these will impact the City of Marion in the future.

The standards for leasing will commence 1 July 2019 and a comparison from prior years will be required but this will be managed as part of the 2018/19 year end audit.

The Committee also raised that section 24 of the Terms and Conditions (Governing Law) refers to New South Wales. The Committee suggested that this should reflect South Australia. In the unlikely scenario that Council was involved in a legal dispute with Deloitte, it would be best served in South Australia.

**Moved Ms Hinchey, Seconded Ms Johnston** that the Finance and Audit Committee:

1. Considered the outline of Deloitte's Audit Plan for the financial year ending 30 June 2018.
2. Notes the scope of the audit to be carried out by Deloitte for the year ending 30 June 2018.
3. Recommends that the section 24 of the Terms and Condition be amended to South Australia Courts not New South Wales.
4. Notes that the Chief Executive Officer will execute the acknowledgement of the engagement letters.

**Carried Unanimously**

#### Internal Audit

#### **9.48 am Internal Audit Program 2018/19 scoping documents Report Reference: FAC290518R7.1**

#### **Planning Assessment Scope (Appendix 1)**

The Manager Corporate Governance advised the Committee that this Internal Audit is being completed outside of the contract with KMPG, because specialist planning skills are required. It is proposed that Helen Dyer undertake the review as a qualified planner and local government expert. Ms Dyer has completed a previous service review within Development Services. This internal audit will leverage from this previous work Ms Dyer has undertaken at City of Marion (CoM) and focus specifically on development assessment compliance.

The Committee noted the scope and made the following comments:

- Ensure that efforts are not duplicated through the proposed Development Services service review. If the Council determines to progress in 2018/19 with less service reviews, this is one that could be removed from the program.
- Include a review of customer complaints and leverage from these for improvements.
- Ensure that the sample size is adequate.

It was noted that Ms Dyer commercial information had been removed from the scope but the audit would cost approximately \$30k.

#### **Procure to Pay Scope (Appendix 2)**

Mr Ben Wallace and Mr Jared Lawrence from KPMG entered the meeting.

Ms Lawrence provided an overview of the scope and noted that the new policy and procedure for contract management was rolled out in 2016. This audit will review the process, risks, internal controls and business efficiency. The audit will also cover data analytics. Consultation will occur with key parts of the business that have high usage of the process and systems.

The Committee noted the scope and recommended that the relationship between petty cash and the online requisition system should be included for review.

#### **Workplace Emergency Management (Appendix 3)**

Mr Lawrence provided an overview of the scope noting that this audit would focus on workplace emergency management and include review of Council's 14 sites. The audit will review policies, procedures, how an emergency is triggered and communicated to staff.

The Committee queried if this audit would be better suited as part of the Business Continuity Management Review scheduled later in the audit plan? The Committee also requested that the Internal Auditors ensure that this audit adds value and doesn't duplicate effort already undertaken by staff.

It was noted that the scope currently excludes the 'appropriateness of the plan'. This should be included within the scope as it is important to understand if the plan is suitable for the organisation.

The Committee recommended that this audit be combined with the Business Continuity Management Review and KPMG work with management to scope a different audit from Council's high risk profile.

**ACTION – That the Workplace Emergency Management Internal Audit is combined with the Business Continuity Management Audit and a new audit is scoped from Council's high risk profile.**

#### **10.07am Internal Audit Program - Implementation of Recommendation Report Reference: FAC290518R7.2**

The Governance Quality Coordinator provided an overview of the report highlighting that one recommendation is outstanding from 2015/16 and the recommendations from the next two (2) financial years (2016/17 and 2017/18) are progressing well.

The Committee noted that there are a number of recommendations relating to ICT initiatives and queried if the organisation has an ICT roadmap. The General Manager Corporate Services confirmed that an ICT Road Map has been developed through the Infrastructure and Strategy Committee, which was subsequently adopted by Council. Management is also progressing with a full business systems review to understand the future system requirements and improvements required for the organisation.

The Committee noted that the Compliance Framework and the Corporate Reporting Framework are being developed. They are inter-related and will be presented to the Committee in August.

The Committee noted the process for amending due dates on recommendations is via the relevant General Manager and then reported to the Committee. An example of an extension is the capital works recommendation as these works won't be realised until June 2019 and an extension on the due date is required.

The Committee agreed to the revised due dates.

**ACTION – That a copy of the the ICT Road Map be brought to the next FAC meeting in August.**

**10.16 am Internal Audit Program 2017/18 Year 1  
Report Reference: FAC290518R7.3  
NDIS**

Mr Ben Wallace from KPMG provided an overview of the report highlighting that a high level market analysis had been completed and the audit report presents a series of options for Council to consider.

The market analysis demonstrates that the number of clients accessing the NDIS will double and hence there will be a demand for more service providers. The increased demand in the southern region is predicted at approximately 2,000 new clients. Within the City of Marion, there is currently around 74 registered providers. It is predicted that the largest service area for growth is assistance with daily life at home.

The three options presented in the report include:

1. CoM to provide no future service associated for the NDIS
2. CoM to be an enabler for the Community to seek out services for the NDIS
3. CoM to be a service provider for the NDIS.

Mr Wallace highlighted there is some merit in Council progressing with option 2 as an enabler/ capacity building role. Council may also consider option 3, however the high level financial assessment has demonstrated that some service providers are making a limited profit margin. If Council wished to progress as a service provider, further financial analysis is critical prior to making any decision.

The Committee noted the report and made the following comments:

- The NDIS has been implemented in some of the other States for the past three to four years and the utilisation rates of plan funds are currently around 60%. The ability of participants to fully utilise their NDIS plans has been poor and therefore dramatically affects the expectation that spending on disability will double.
- There are a number of service providers within the City of Marion and the surrounding Council areas. The risk of clients not being serviced is low. This risk of supply sits with regional and remote areas rather than the metropolitan areas.
- NDIS does not impact on people over 65. The vast majority of figures presented in the report (>90%) relate to services currently being provided under Aged Care funding – which is not affected by the NDIS.
- There is no mention in the report of the Continuity of Support Scheme which is designed to ensure that those over 65 who are ineligible for the NDIS continue to be supported.
- The figures presented in the report (pg 71) do not include overheads, which would need to include all in-kind costs. The overheads would be around 20% which would make profit margins even less.
- Council staff are paid above the award rate, hence it will be difficult for Council to deliver a financially sustainable model. Overheads would need to be less than 9%.

KPMG confirmed that the financial analysis is a high level and is not a detailed analysis.

The Committee suggested that there seems to be little benefit in progressing with any additional analysis unless Council determines that there is a genuine impact on its residents from the introduction of the NDIS and that there is a requirement for Council to step in to support residents to access appropriate services. The Committee noted that the majority of its current services will continue to be funded by the Commonwealth and are not affected by the NDIS. The Committee noted that there are a number of expert disability advocacy services in place in the State already however their ongoing funding may be in doubt. The Committee suggested that entry into NDIS Service Provision would have a significant cost impact to Council.

The Committee noted that all CoM employees that currently deliver the Home and Community Care (HACC) and Commonwealth Home Support Program (SHSP) are all grant funded. Council provides in kind support for incidentals such as a work station, phone, computer, etc.

As Council is often the first point of contact for residents, the Committee recommended it is best suited to be the 'trusted advisor' to the community. It was noted that the City of Playford is well progressed in this space and Marion could leverage from their experience.

The Committee noted that Council would be discussing the NDIS at an Elected Member Forum later this evening and the outcomes of the audit would be presented. The Committee cautioned the Council about further investment with the NDIS as a service provider and suggested that the best pathway forward is the role of advocacy.

### **Contractor Management**

Mr Lawrence (KPMG) provided an overview of the report highlighting that the previous internal audit completed in 2015 raised a number of policy and procedure weakness that have now been addressed. The Contractor Management Policy was revised and adopted by Council in 2016 as a result of the previous audit.

It was noted that the Contracts Team and WHS Team are working together. The key risk identified related to the lack of hazard and incident reporting by contractors. This was acknowledged and management are progressing with action to rectify this issue.

It was noted that the CoM is transitioning to a new corporate records system and hence some files were missing all required documentation. This will be addressed through the implementation of spot documentation audits.

Mr Lawrence also highlighted that the organisation would benefit from enhancing its risks based approach to contractor management with more effort focused on high value high risk contracts – this approach should be embedded in the Contracts Register. He also recommended that the CoM requires a more sophisticated contracts register rather than the Excel tool that is currently being used.

The Committee noted the report and the good work progressing in contractor management.

### **Service Reviews**

#### **10.59am Service Review Program Update and FY2018/19 Plan Report Reference: FAC290518R7.4**

The Performance & Innovation Leader provided an overview of the report noting that 12 service reviews have been delivered for the current 2017/18 year. A new plan for 2018/19 has been developed with two options. Option one presents nine (9) service reviews with the intent to use the remainder of the team resources to assist with implementation of recommendations from previous reviews. Option two is to progress with 12 reviews consistent with previous years.

The Committee noted the report and raised that the organisation is at risk of focusing too much effort on the reviews and not enough on the implementation of existing service review recommendations. It is important to quantify with Council what the target areas will be to add

the greatest value. The Committee recommended that Council progress with nine (9) reviews rather than 12. The Committee also recommended that a target be established to reduce the number of outstanding recommendations by a certain percentage. This will provide assurance to Council of a tangible outcome and that resources are being put to good use. It is important that the Council understand and see the tangible outcomes.

The Committee requested that the Service Review program should not duplicate the effort within the internal audit program.

**11:08am Service Review – Recommendations – Progress Update**  
**Report Reference: FAC290518R7.5**

The Performance & Innovation Leader provided an overview of the report highlighting that all items have now been closed out from the Recruitment Service Review and good progress has been made with the implementation of the Service Review on Customer Service. It was noted that recommendations are not being implemented based on strategic importance and transformational impact. Recommendations are implemented by the teams based on available resources.

The Committee noted the report and requested that the number of actions added and completed, during the period be added to the report and that it also highlight which recommendations will add greater value. This would provide a better understanding regarding how implementation was progressing.

**ACTION – the next reporting include the number of actions completed per review.**

**ADJOURNMENT**

The chair sought leave of the meeting for a five (5) minute adjournment. Leave of the meeting was granted.

**11.11 am Meeting adjourned**

**11.16 am Meeting resumed**

**8. CONFIDENTIAL ITEM**

**11.17am Service Review – Report – Community Safety Inspectorate**  
**Report Reference: FAC290518F01**

**Moved Ms Hinchey, Seconded Councillor Telfer that:**

Pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, the Finance and Audit Committee orders that all persons present, with the Abby Dickson, Kate McKenzie, Jason Cattonar, Cass Gannon, Mel Nottle-Justice and Karen Brewster be excluded from the meeting as the Committee receives and considers information relating to the Service Review – Report – Community Safety Inspectorate, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information, relates to personnel matters.

**Carried Unanimously**

**11.17 am the meeting went into confidence**

**Moved Councillor Telfer, Seconded Natalie Johnston** that the Finance and Audit Committee in accordance with Section 91(7) and (9) of the Local Government Act 1999 the

Committee orders that this report, any attachment to this report and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(a) of the Act except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2018.

**Carried Unanimously**

### **11.32am the meeting came out of confidence**

#### Corporate & Financial Management

### **11.32 am Annual Business Plan and Long Term Financial Plan Report Reference: FAC290518R7.7**

The Manager Finance and Contracts highlighted that the Annual Business Plan and Budget had progressed to public consultation with little engagement from the Community. Key aspects of the ABP&B include:

- An increase in employee costs from 2% to 2.3% based on the 31 March 2018 Adelaide CPI increase.
- 19 new initiatives are listed within the ABP&B.
- The key performance indicator for staff retention has been amended and is based on a turnover rate of 90% (Core Target) to 95% (Stretch Target) .

The Committee noted that the changes made to the ABP&B since the FAC meeting in February 2018. The Committee queried if \$1.3m for ICT system improvements is enough based on the issues that have been identified. It was noted that the \$1.3m had been specifically allocated for the asset management system (majority of the funding), project management software and the data warehouse. Depending on the outcome of the Business Systems Fitness Review (BSFR) being undertaken further budget may be required.

The Committee noted that CoM has met with Civica (major ICT vendor) and they have been put on notice that the Council is currently not happy with the service being provided. A number of other larger Councils are currently using TechnologyOne. This may be an option that Council may consider in the future based on the outcome of the BSFR. It was noted that it would be ideal for the larger Councils in Adelaide to all be on the same systems to enable better information sharing and to promote cross-support.

The Committee noted the chart on page 173 of the agenda and the difficulty in comparing across councils that reflect a different make up of services. Some of the items could potentially be grouped together (i.e. community facilities and library services).

The Committee noted that each Council will have a different mix of what it spends on its services and hence it will be difficult to do a Council to Council comparison.

The Committee made the following recommendations:

- Clearly describe in the ABP document what Council and other parties are contributing to projects. – e.g. southern soccer facility - what is Council's contribution and what is external support.
- Within the environmental scan, separate out the issues and opportunities so they are clearly defined.
- When referring to debt ensure current and future debt is clearly distinguished within the document as forecast borrowings are included but have not yet been realised.



- It is noted the difficulty in using the average rate as a Council to Council comparator
- a new comparison indicator using the median rate has been included. Ensure that the addition of a new indicator for comparison isn't confusing.

### **11.50 am Unsolicited Proposals**

#### **Report Reference: FAC290518R7.8**

The General Manager Corporate Services provided an overview of the report noting that it is not uncommon for Local Government to receive unsolicited proposals. A recent example within the sector is with the Tea Tree Gully Council where Kaufland Australia Pty Ltd (retailer) approached the Council to purchase 3.5 hectares of community land (currently a reserve).

A draft Policy and Procedure has been developed for the CoM to provide guidance and clear process. This provides transparency regarding how any unsolicited proposal will be considered and managed.

The Committee agreed that a policy and procedure provides for sound governance and it is important that the policy be flexible for Council to capitalise on opportunities, whilst ensuring sound probity, fairness and equity.

The Committee sought clarification on the following:

- Why would a proposal be considered in confidence in the first instance?  
A proposal may include commercial information or intellectual property that would be considered sensitive.
- What defines an unsolicited proposal?  
It is defined within the procedure as an offer from a potential supplier without an invitation to do so from the City of Marion via its regular procurement processes.

The Committee also made the following comments for consideration prior to the Policy being adopted by Council:

- The policy should reflect appropriate dollar values based on risk. The policy shouldn't apply to low level expenditure.
- Ensure the policy and procedure are aligned to the CoM Procurement and Contractor Management Policy.
- The policy needs to be reflective of more than just services and should include other relevant categories such as capital works and land.
- The policy should have more detail regarding probity and particularly around information supplied to Council that is confidential.

The Committee also requested that its Terms of Reference be amended to reflect the obligations within the Policy.

**ACTION: In the next review of the Finance and Audit Committees Terms of Reference, ensure that the requirements within the Unsolicited Proposals Policy are reflected.**

### Risk Management

#### **12.05pm Annual Business Continuity Plan**

#### **Report Reference: FAC290518R7.9**

The Manager Corporate Governance provided an overview of the report highlighting that this is the first annual report to the Committee on the activities of Business Continuity Management. Two exercises had occurred in the past 12 months and a further exercise was scheduled for 30 May 2018. The six monthly exercises were contributing to the maturity of the Business Continuity Plan (BCP). It was also highlighted that the BCP has been amended

to reflect the Local Government Association (LGA) templates to assist with consistency across the sector. The amendments to the BCP included the introduction of incident levels, re-alignment of roles to standard terminology and introducing a 3<sup>rd</sup> level of alternative staff.

The Committee congratulated staff on the continuing maturity of the business continuity systems. The Committee queried how the BCP can be accessed within the Council. It was noted that it is electronically available, hard copies are located in relevant office space and managers also carry a USB with the BCP with their security card. The Committee suggested that it is also good practice to have a hard copy offsite.

The Committee also suggested that revision of the BCP should occur more frequently than every four (4) years. The Manager Corporate Governance advised that as the document is tested every 6 months, amendments would occur as required but the formal review is currently completed once during a Council term.

The Committee requested that a one page summary of the business continuity exercise scheduled for 30 May 2018, be provided at the next Committee meeting.

**ACTION - a one page summary of the business continuity exercise scheduled for 30 May 2018, be provided at the next Committee meeting.**

#### **12.12pm Community Emergency Management Plan** **Report Reference: FAC290518R7.10**

The Manager Corporate Governance provided an overview of the report highlighting that the Community Emergency Management Plan (CEMP) is a high level document to provide assurance to the control agencies and the community regarding the City of Marion's arrangements in an emergency. It isn't a procedure document but refers to the various other plans (i.e. BCP) for the operational detail. A copy of the CEMP is available to the community on Council's website.

The Committee noted that the CEMP is also aligned to the template documents provided by the LGA to ensure consistency across the sector.

The Committee noted the CEMP and commented that it is a thorough document. The Committee suggested that it would be good to promote the CEMP through social media or maybe via the rates notices mail out.

#### **12.22pm 2018 Corporate Risk Profile** **Report Reference: FAC290518R7.11**

The Manager Corporate Governance provided an overview of the report highlighting the Council now receives a quarterly report on all the high rated risks. The introduction of this report has been beneficial as it has increased the risk maturity of the organisation with corporate managers reviewing their risks on a more frequent basis. Two high risks have recently been re-rated to medium (WHS Management and Climate Change) as a number of mitigation strategies have now been implemented.

The Committee noted the report and indicated that the quarterly reporting to Council demonstrates good practice. The Committee suggested that some of the wording of the risks may need reworking as they currently present as consequences rather than a risk.

It was also suggested that some risks were similar and could be combined. It was noted that these risks had different risk owners which is why they had been listed separately.

## **9. ANY OTHER BUSINESS**

It was noted that a topic has not been set for the joint forum with the Committee and Council scheduled for August. The Committee suggested the following may be of interest:

- Major Projects
- Risk Profile / Emerging Risks / Risks for this term of Council
- Service Review Assessment
- Insurance Portfolio

The CEO also raised that the employment agreement with the outside workforce was still not complete and the negotiations were proceeding to be difficult. This was progressing to be an increased risk for the organisation.

## **10. MEETING CLOSURE**

The meeting was declared closed at 12.30pm

## **11. NEXT MEETING**

The next meeting of the Finance and Audit Committee is scheduled to be held:

**Time: 4.00pm – 6.00pm**

**Date: 21 August 2018**

**Venue: Council Chamber, Administration Building**

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**CHAIRPERSON**

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